

STATE BENEFIT PROVIDER REVISIONS

2005 GENERAL SESSION

STATE OF UTAH

Sponsor: Paul Ray

LONG TITLE**General Description:**

This bill modifies the Utah State Retirement and Insurance Benefit Act by amending public employee defined contribution plan provisions.

Highlighted Provisions:

This bill:

- ▶ requires the Utah State Retirement Board, beginning on January 1, 2006, to authorize not less than one and not more than five alternative defined contribution plans established under the Internal Revenue Code;
- ▶ requires that each defined contribution plan provider authorized shall be:
 - qualified by the board as meeting performance standards of a board issued request for proposal (RFP) published in at least two financial publications;
 - approved by the membership council; and
 - authorized by the Division of Finance of the Department of Administrative Services to receive employee and employer contributions through payroll systems of the state;
- ▶ provides election procedures for participants to choose a defined contribution plan and to transfer all monies to the selected plan;
- ▶ allows an employee to only participate in one defined contribution plan; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None



Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

49-11-801, as renumbered and amended by Chapter 250, Laws of Utah 2002

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **49-11-801** is amended to read:

49-11-801. Defined contribution plans authorized -- Subject to federal and state laws -- Rules to implement this provision -- Costs of administration -- Limitations on eligibility -- Protection of tax status.

(1) (a) The board may establish and administer defined contribution plans established under the Internal Revenue Code[-] in accordance with the provisions of this part.

(b) (i) If the board establishes and administers defined contribution plans under the provisions of Subsection (1)(a), the board shall, beginning on January 1, 2006, authorize not less than one and not more than five alternative defined contribution plans established under the Internal Revenue Code.

(ii) Each defined contribution plan authorized under Subsection (1)(b)(i) shall be:

(A) qualified by the board as meeting performance standards of a board issued request for proposals published in at least two financial publications;

(B) approved by the membership council created under Section 49-11-202; and

(C) authorized by the Division of Finance of the Department of Administrative Services to receive employee and employer contributions through payroll systems of the state.

(iii) (A) Beginning with 2006, prior to January 1 of each calendar year, a participant may make an election to the Utah State Retirement Office to transfer all of the employee's defined contribution plan monies to one of the defined contribution plans described under Subsection (1)(b).

(B) An election made under Subsection (1)(b)(iii) is irrevocable until the following calendar year.

(c) An employee may only have a defined contribution account balance in one of the defined contribution plans established or authorized under this Subsection (1).

59 ~~[(b)]~~ (d) Voluntary deferrals and nonelective contributions shall be permitted according
60 to the provisions of these plans as established by the board.

61 ~~[(c)]~~ (e) The defined contribution account balance is vested in the participant.

62 (2) (a) Voluntary deferrals and nonelective contributions shall be posted to the
63 participant's account.

64 (b) Participants may direct the investment of their account in the investment options
65 established ~~[by the board]~~ under each defined contribution plan and in accordance with federal
66 and state law.

67 (3) (a) The board may make rules and create plan documents to implement and
68 administer this section.

69 (b) The board may adopt rules under which a participant may put money into a defined
70 contribution plan as permitted by federal law.

71 (c) The office may reject any payments if the office determines the tax status of the
72 systems, plans, or programs would be jeopardized by allowing the payment.

73 (d) Costs of administration shall be paid as established by the board.

74 (4) Voluntary deferrals and nonelective contributions may be invested separately or in
75 conjunction with the Utah State Retirement Investment Fund.

76 (5) The board or office may take actions necessary to protect the tax qualified status of
77 the systems, plans, and programs under its control, including the movement of individuals from
78 defined contribution plans to defined benefit systems or the creation of excess benefit plans
79 authorized by federal law.

80 (6) The office may, at its sole discretion, correct errors made in the administration of
81 its defined contribution plans.

82 (7) For purposes of this title and Title 67, Chapter 19, Utah State Personnel
83 Management Act, a defined contribution plan established or authorized under this section is
84 considered to be created, sponsored, and administered by the board.

Legislative Review Note
as of 12-23-04 10:26 AM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel